



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

Date: November 16, 2004

To: All School Districts and Charter Schools

From: Steven Race
Chief Financial Officer

Re: Qualified Zone Academy Bonds (QZAB)

The Federal Taxpayer Relief Act of 1997 created the Qualified Zone Academy Bond Program. Under this program, state and local governments can issue Qualified Zone Academy Bonds at very low or even zero percent interest rates on behalf of eligible local educational agencies (LEA's) including eligible charter schools. Eligible charter schools may work with a local government that has the authority to issue debt. Under this program, a bond is defined as an obligation and is subsidized by the Federal Government in the form of tax credits to bondholders. Please note that the QZAB is a type of bond and does not provide any additional bonding authority beyond what is allowed under existing State and local law.

Currently, the Arizona Department of Education has \$8,044,000 available for allocation. LEA's must meet specific criteria to be successful in applying for the QZAB program. To qualify under this program, an LEA or its program must be: (1) located in an empowerment zone or an enterprise community or (2) have at least 35 percent of their students eligible for free and reduced lunch under the Federal School Lunch Act. Additionally, schools must work in partnership with the business community and obtain at least 10 percent contributions from the business community. Qualified Zone Academy Bond proceeds may be used for: (1) renovating school buildings; (2) purchasing equipment; (3) developing curricula; (4) training school personnel. However, issuing government entities and LEA's must ensure that the purposes for which the QZAB is issued conform to State and Local statutes regarding incurring indebtedness for that entity or LEA.

The deadline for individual application is January 31, 2005.

Additional information and application materials are available on our web site at
<http://www.ade.az.gov/schoolfinance/Memos/QZABPacket/>

It is important that applicants read all rules and regulations regarding this program. Once ADE has allocated the QZAB authority to a local government or an LEA, it is the responsibility of that entity and its partners to comply with all rules and regulations. At best, failure to comply may jeopardize the tax credit benefits to your investors. Please visit our web site for application and instructions.